

# **Procedures for the Accounting of and Appropriation of Revenues Collected from Unsolicited Public-Private Partnership Proposals Offered Pursuant to the Public-Private Education Facilities and Infrastructure Act of 2002**

Departments of Accounts and Planning and Budget  
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## **Background**

1. The Public-Private Education Facilities and Infrastructure Act of 2002 (PPEA) permits the creation of public-private partnerships for the development of a wide variety of public facilities.
2. Public-private partnership proposals may be submitted in response to a Request for Proposals issued by a state agency or institution of higher education or as unsolicited proposals from private sector entities.
3. Private sector entities are not required to pay any fee when submitting proposals in response to a solicitation issued by a state agency or institution of higher education. When submitting unsolicited proposals, however, state agencies and institutions of higher education must charge a fee equal to one-half of one percent of the present value cost of these proposals. This fee is capped at \$50,000, and cannot be less than \$5,000.

## **Use of Revenues**

1. State agencies and institutions of higher education may use the revenues collected from the receipt of unsolicited proposals to pay for the costs of processing such proposals, the salaries and fringe benefits of employees involved in reviewing such proposals, the purchase of equipment directly necessary for the evaluation of such proposals, and the payment of outside consultants whose expertise is directly necessary to the review of the unsolicited proposals.
2. State agencies and institutions of higher education should not use the revenues collected from private sector firms that have submitted unsolicited PPEA proposals to pay for items that are not directly related to the analysis of those proposals. Such items might include laptop computers, desktop computers, and office furniture.
3. State agencies and institutions of higher education should be aware that the Commonwealth may be entitled to recapture a portion of the general fund dollars supporting the salaries and fringe benefits of staff involved in reviewing and evaluating unsolicited proposals.

## **Repayments of Amounts Collected**

1. The procedures state agencies and institutions of higher education are to follow when accepting unsolicited PPEA proposals state that if the cost of reviewing the proposal is less than the amount collected from the private entity, then the state agency or institution of higher education may refund any excess to that private entity.
2. If during the initial “conceptual” review of an unsolicited proposal, a state agency or institution of higher education decides that it will not proceed with the second “detailed” phase of that review, then any fees collected, less direct itemized costs, are to be refunded to the private sector firm.

## **Accounting Procedures**

1. Following their first receipt of revenue from the private sector firms offering unsolicited proposals pursuant to the PPEA, state agencies and institutions of higher education should contact the Department of Accounts and request the establishment of fund 0275, titled “Public-Private Education Act Fund” on the Commonwealth Accounting and Reporting System (CARS).
2. All money received by state agencies and institutions of higher education from the private sector firms who have submitted unsolicited proposals should be deposited into the State Treasury and recorded in CARS within fund 0275 using revenue source code 09016, titled “PPEA Proposal Review Fee.”
3. If state agencies or institutions of higher education determine that money received from these private sector firms should be refunded to them, then this refund transaction should be recorded as a revenue refund when disbursed during the same fiscal year in which the funds were received and recorded in CARS. However, if the refund transaction occurs in subsequent fiscal years, the disbursement must be recorded as an expenditure. State agencies and institutions of higher education must receive an appropriation from the Department of Planning and Budget (DPB) prior to refunding proposal review fees as an expenditure. See note 1.
4. If state agencies or institutions of higher education wish to reimburse other funds for expenditures made to support the review of unsolicited proposals, that reimbursement will be made in one of two ways – depending upon the fiscal year in which the both the expenditures and the reimbursement were recorded. If the expenditures were recorded in the same fiscal year the reimbursement will be made, then an expenditure should be recorded within fund 0275 and an expenditure refund should be recorded in the fund the agency or institution wishes to reimburse. This reimbursement may be affected by using an ATV (if the transaction involves only one agency) or an IAT (if the transaction involves two or more state agencies). However, the agency or institution must receive an appropriation for fund 0275 from DPB prior to recording expenditures in that fund.

If the reimbursement is to be executed in subsequent fiscal years to the one in which the expenditures were originally recorded, then an expenditure should be recorded in fund 0275, and *revenue* should be recorded in the fund the agency or institution has determined should be reimbursed. In the receiving fund, this revenue should be recorded using revenue source code 09084, which is titled “Refund of Prior Year Expenditures.” This reimbursement transaction may also be completed using an ATV (if the transaction involves only one agency) or an IAT (if the transaction involves two or more state agencies). See note 2.

5. To spend the proceeds in fund 0275 for any other purposes than refunding these proceeds to the private sector firms that submitted the unsolicited proposals, the agency must receive an appropriation from DPB. The agency should record any such amounts spent as an expenditure utilizing normal vendor payment procedures.

Notes:

1. If a refund is disbursed to the private sector firms in any fiscal year other than the one in which the proceeds were originally received and recorded as revenue, an expenditure must be recorded in fund 0275 because the revenue recorded to reflect the receipt of the review fees has closed to Fund Balance and longer exists on the general ledger.
2. When reimbursing a fund for expenditures associated with the review of unsolicited proposals that were originally recorded in a previous fiscal year, revenue must be recorded in the fund being reimbursed because the original expenditures have closed to Fund Balance and no longer exist on the general ledger.

## **Appropriation of Revenues**

1. Prior to the appropriation of any revenue collected from a private sector entity for the submission of an unsolicited proposal, state agencies and institutions of higher education will be required to submit a plan describing how the revenue will be expended.
2. Following the submission of that plan, and in accordance with the level of expenditures contained in that plan, DPB analysts will appropriate either all or a portion of the revenues collected from these private sector entities.
3. Regardless how much revenue has been planned for expenditure by state agencies and institutions of higher education, DPB analysts shall reserve forty percent of the revenue collected from unsolicited PPEA proposals for use by the central service agencies responsible for reviewing these unsolicited proposals’ financing components.
4. As currently outlined in the DPB FATS manual, these additional nongeneral fund revenues should be appropriated in fund/fund detail 0275 using a “G” transaction.
5. Fund/fund detail 0275 may need to be created for affected state agencies and institutions of higher education by the Department of Accounts prior to its use. State agencies and

institutions of higher education are responsible for requesting that the Department of Accounts establishes this fund/fund detail for the agency or institution in CARS.

Notes:

1. Because the revenue collected by state agencies or institutions of higher education will be appropriated for their use according to planned expenditures rather than actual expenditures, the repayment of any fees collected from private sector firms may result in an overstated nongeneral fund appropriation if that repayment is made as a revenue refund in the same fiscal year as it was received. If the payment is made in a subsequent fiscal year, there will be no overstated nongeneral fund appropriation because that repayment would be classified as an expenditure by the Department of Accounts.

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